

**WASATCH COUNTY FIRE PROTECTION  
SPECIAL SERVICE DISTRICT  
A COMPONENT UNIT OF WASATCH COUNTY**

**Financial Statements**

December 31, 2005

**WASATCH COUNTY FIRE PROTECTION  
SPECIAL SERVICE DISTRICT**

**A COMPONENT UNIT OF WASATCH COUNTY**

**Financial Statements**

Year Ended December 31, 2005

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## INDEPENDENT AUDITORS' REPORT

Honorable Administrative Board Members  
Wasatch County Fire Protection Special Service District  
Heber City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Wasatch County Fire Protection Special Service District (District), a component unit of Wasatch County, as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wasatch County Fire Protection Special Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and each major fund of Wasatch County Fire Protection Special Service District as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 20, 2006, on our consideration of Wasatch County Fire Protection Special Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to

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describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages MDA-1 through MDA-7 and page 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Hawkins Cloward & Simister, LC*

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

January 20, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Wasatch County Fire District (District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the calendar year ended December 31, 2005. Please read it in conjunction with the District's financial statements and additional information that we have furnished in the Independent Auditors' Report.

### **HISTORY AND BACKGROUND OF DISTRICT**

The Wasatch County Fire District was formed in 1987 in order to facilitate a more financially secure method of funding fire suppression and fire protection to all of Wasatch County. The District was organized under the State statutes of Utah allowing the District to levy taxes, issue bonds, construct fire stations, construct emergency services buildings, acquire fire protection and suppression apparatus, and generally operate and maintain those facilities for the general welfare and good of the citizens of Wasatch County. Prior to the organization of the fire district, most sources of funding came from Heber City Corporation and Wasatch County with occasional contributions coming from the towns of Midway, Wallsburg, and Charleston, and through fire department fund drives. Today the District consists of entities made up of the Cities and Towns of Heber, Midway, Charleston, Wallsburg, Daniel, Timberlakes and surrounding areas, Interlaken, Strawberry Valley and surrounding areas, Woodland and surrounding areas, Bonanza Flat in Snake Creek Canyon and surrounding areas, and the entire Jordanelle Basin. All properties within Wasatch County are included within the boundaries of the District and are, therefore, provided with fire protection and suppression by the District. Private individuals, the State of Utah, or the Federal government own these properties.

### **FINANCIAL HIGHLIGHTS**

The assets of Wasatch County Fire District exceeded the liabilities as of the close of the most recent year by \$4,751,705 (net assets). Of this amount \$3,571,709 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

In the general fund, revenues exceeded expenditures by \$7,295.

At the close of the fiscal year, the unreserved fund balance of the general fund totaled \$444,155, or 60% of the total general fund revenues. State statutes allow a maximum unreserved fund balance of 100% of the current year's property tax of \$578,857.

There was a reduction of outstanding debt in the general fund for the Heber Ladder 1 fire truck of \$290,931. This note was paid in full.

There was a reduction of outstanding debt in the business-type activities (Jordanelle Fire Station) for the Jordanelle Engine 2 fire truck of \$31,774. This note will be paid in full in 2006.

There was a reduction of the outstanding capital lease obligation on the Jordanelle Fire Station of \$81,410.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this Management's Discussion and Analysis report, the Independent Auditors' Report and the basic financial statements of the District. This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The balance sheet presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*.) The governmental activities of the District include general government and administration of public safety as it is related to fire protection and prevention for all citizens living within the boundaries of the Wasatch County Fire District. The business-type activities of the District include administration and operations of the Jordanelle Fire Station, the public safety of those who live in the Jordanelle Basin, and the preservation of the properties located in the Jordanelle Basin.

### Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: *governmental funds* and *proprietary funds*.

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the general fund and capital projects, both of which are considered to be major funds.

The District adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

Please refer to the table of contents for the location of the basic governmental fund financial statements.

*Proprietary funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its fire related services provided in the Jordanelle Basin.

Please refer to the table of contents for the location of the basic proprietary fund financial statements.

#### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

#### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's general fund budget analysis.

Additional auditor reports and schedules for the District are presented immediately following the required supplementary information.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Wasatch County Fire District, total assets exceed total liabilities by \$4,751,705 at the close of the most recent fiscal year.

Portions of the District's remaining net asset represent resources that are subject to external restriction on how they may be used. The balance of net assets \$3,571,709 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.



As of December 31, 2005 the District is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for the separate business-type activities.

**WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF WASATCH COUNTY**  
**Government-wide Statement of Net Assets**  
**December 31, 2005**

	Governmental Activities 2004	Governmental Activities 2005	Business-Type Activities 2004	Business-Type Activities 2005	Total 2004	Total 2005	Increase Decrease 2004 to 2005
<b>Assets</b>							
Cash and cash equivalents	\$ 751,493	\$ 446,083	\$ 147,828	\$ 2,342,432	\$ 899,321	\$ 2,788,515	\$ 1,889,194
Accounts receivable (net of allowance for doubtful accounts)							
Accounts			137,501	105,711	137,501	105,711	(31,790)
Lease fees			659,442	423,269	659,442	423,269	(236,173)
Internal Balances	(175,511)		175,511				
Due from other governmental entities	181,474	299,402			181,474	299,402	117,928
Restricted assets							
Cash and cash equivalents			164,922	164,922	164,922	164,922	
Capital assets							
Land			100,000	100,000	100,000	100,000	
Depreciable buildings and equipment, net	733,947	661,378	2,183,016	2,119,306	2,916,963	2,780,684	(136,279)
Debt issuance costs, net			22,010	20,746	22,010	20,746	(1,264)
Other capital assets	2,500	2,500			2,500	2,500	
<b>Total assets</b>	<b>\$ 1,493,903</b>	<b>\$ 1,409,363</b>	<b>\$ 3,590,230</b>	<b>\$ 5,276,386</b>	<b>\$ 5,084,133</b>	<b>\$ 6,685,749</b>	<b>\$ 1,601,616</b>
<b>Liabilities</b>							
Accounts payable and accrued expenses	\$ 17,106	\$ 7,061	\$ 22,378	\$ 30,941	39,484	\$ 38,002	\$ (1,482)
Accrued interest			7,373	7,186	7,373	7,186	(187)
Deferred revenue	18,775				18,775		(18,775)
Noncurrent liabilities							
Due within one year	28,537		31,244	21,180	59,781	21,180	(38,601)
Due in more than one year	262,394		21,710		284,104		(284,104)
Capital lease obligation							
Due within one year			89,852	82,676	89,852	82,676	(7,176)
Due in more than one year			1,866,410	1,785,000	1,866,410	1,785,000	(81,410)
<b>Total liabilities</b>	<b>\$ 326,812</b>	<b>\$ 7,061</b>	<b>\$ 2,038,967</b>	<b>\$ 1,926,983</b>	<b>\$ 2,365,779</b>	<b>\$ 1,934,044</b>	<b>\$ (431,735)</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	\$ 443,016	\$ 663,878	\$ 295,810	\$ 351,196	\$ 738,826	\$ 1,015,074	\$ 276,248
Restricted for debt service			164,922	164,922	164,922	164,922	
Unrestricted	724,075	738,424	1,090,531	2,833,285	1,814,606	3,571,709	1,757,103
<b>Total net assets</b>	<b>\$ 1,167,091</b>	<b>\$ 1,402,302</b>	<b>\$ 1,551,263</b>	<b>\$ 3,349,403</b>	<b>\$ 2,718,354</b>	<b>\$ 4,751,705</b>	<b>\$ 2,033,351</b>

**Government-wide Activities**

Charges for services have remained relatively consistent in Wasatch County Fire District. The District receives revenues from taxes collected by Wasatch County. The tax rate decreased to .000269 for 2005 from .000271 for 2004. The District also receives revenues from Jordanelle Basin property owners for operation and maintenance of the Jordanelle Fire Station, a business-type activity. These revenues are based upon a set charge per equivalent residential unit (ERUs) billed monthly to the property owners/developers in the Jordanelle Basin.

Property tax collections increased from \$537,370 in 2004 to \$578,857 in 2005 due basically to an increased percentage of total tax collections.

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT  
A COMPONENT UNIT OF WASATCH COUNTY  
Government-wide Statement of Activities  
For the Year Ended December 31, 2005

	Governmental Activities 2004	Governmental Activities 2005	Business-Type Activities 2004	Business-Type Activities 2005	Total 2004	Total 2005	Increase (Decrease) 2004-2005
Revenues:							
Program Revenues:							
Charges for services	\$ 62,667	\$ 101,830	\$ 1,041,679	\$ 2,745,678	\$ 1,104,346	\$ 2,847,508	\$ 1,743,162
Grants and contributions	116,013	41,556	108,229	63,856	224,242	105,412	(118,830)
General Revenues:							
Property taxes	537,370	578,857			537,370	578,857	41,487
Unrestricted investment earnings	10,910	24,381	2,628	27,398	13,538	51,779	38,241
Total revenues and transfers	726,960	746,624	1,152,536	2,836,932	1,879,496	6,615,588	4,736,092
Expenses:							
Fire protection	600,550	511,413	917,517	1,038,792	1,518,067	1,550,205	32,138
Total expenses	600,550	511,413	917,517	1,038,792	1,518,067	3,985,789	2,467,722
Increase in net assets	126,410	235,211	235,019	1,798,140	361,429	2,033,351	1,671,922
Net assets - beginning	1,040,681	1,167,091	1,316,244	1,551,263	2,356,925	2,718,354	361,429
Net assets - ending	\$ 1,167,091	\$ 1,402,302	\$ 1,551,263	\$ 3,349,403	\$ 2,718,354	\$ 4,751,705	\$ 2,033,351

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the calendar year.

At the end of the year 2005, the Wasatch County Fire District's governmental funds reported combined ending fund balances of \$738,424. The general fund is the chief operating fund of the District. At the end of the current year, unreserved fund balance of the general fund was \$444,155.

### Proprietary Funds

The District's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Jordanelle Fire Station proprietary fund were \$2,833,285.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budget revenues and the amended budget revenues was \$8,300. This difference is due mostly to a projected increase in property tax revenues and a projected decrease in grant revenues.

The difference between the original budget expenditures and the amended budget expenditures was \$325,948. This difference is mostly due to the payoff of the debt on the Heber Ladder 1 fire truck, which was not accounted for in the original budget.

The difference between the amended budget revenues and the actual revenues was an increase of \$97,470 due mostly to an increase in plan and inspection revenue and grant proceeds.

The difference between the amended budget expenditures and actual expenditures was a decrease of \$227,473. This may be summarized as follows:

- \$49,204 decrease in payroll and related taxes
- \$1,868 decrease in professional services
- \$30,637 decrease in materials and supplies
- \$584 decrease in training and certification
- \$13 increase in utilities
- \$316 decrease in insurance
- \$2,383 decrease in repairs and maintenance
- \$2,500 decrease in other miscellaneous items
- \$53,217 decrease in principle debt service
- \$1,903 decrease in interest debt service
- \$84,874 decrease in Capitol outlay

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities and procuring equipment necessary for providing programs for the citizens of the District. The Capital Assets net for governmental activities had a beginning balance as of December 31, 2004 of \$733,947 and an ending balance as of December 31, 2005 of \$661,378. The Capital Assets net for business-type activities (Jordanelle Fire Station) had a beginning balance as of December 31, 2004 of \$2,283,016 and an ending balance as of December 31, 2005 of \$2,219,306.

### **Capital Lease – Business-type Activities**

The District entered into a sublease agreement with Wasatch County, a related party, during November 1999 to purchase the Jordanelle Fire Station and certain equipment used by the station. The District financed \$2,500,000 over a ten-year period.

In June 2002, the sublease agreement was refinanced with a financial institution in order to lower interest costs. The District financed \$2,200,000 over a 20-year period. Semi-annual payment will be made until December 2022.

Additionally, the District entered into a lease agreement with Lucent Technologies, during June 2000, to purchase a phone system for the Jordanelle Fire Station. The District financed \$80,641 over a 6-year period. Monthly payments will be made until June 2006. Additional information on the District's capital lease obligations can be found in the notes to the financial statements.

### **Long-term Debt**

At the end of the current year, the District had no debt outstanding for governmental activities. At the end of the current year the District had total debt outstanding for business-type activities of

\$21,180. Additional information on the District's long-term debt can be found in the notes to the financial statements.

## **REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of Wasatch County Fire District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Wasatch County Fire District, 25 North Main Street, Heber City, Utah 84032

## **FINANCIAL STATEMENTS**

The financial statements include integrated sets of financial statements as required by accounting principles generally accepted in the United States of America. The statements include:

- Government-wide financial statements

- Fund financial statements

  - Governmental funds

  - Proprietary (enterprise) fund

**WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

**Government-wide Statement of Net Assets**

December 31, 2005

With Comparative Totals for December 31, 2004

	Governmental Activities	Business-Type Activities	Total	2004
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 2,342,432	\$ 2,342,432	\$ 899,321
Accounts receivable (net of allowance for doubtful accounts)				
Accounts		105,711	105,711	137,501
Lease fees		423,269	423,269	659,442
Due from other governmental entities	446,083		446,083	181,474
Restricted assets				
Cash and cash equivalents		164,922	164,922	164,922
Capital assets				
Land		100,000	100,000	100,000
Depreciable buildings and equipment, net	661,378	2,119,306	2,780,684	2,916,963
Debt issuance costs, net		20,746	20,746	22,010
Other capital assets	2,500		2,500	2,500
Total assets	<u>\$ 1,109,961</u>	<u>\$ 5,276,386</u>	<u>\$ 6,386,347</u>	<u>\$ 5,084,133</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 1,505	\$ 30,941	\$ 32,446	\$ 39,484
Accrued interest		7,186	7,186	7,373
Deferred revenue	5,556		5,556	18,775
Noncurrent liabilities				
Due within one year		21,180	21,180	59,781
Due in more than one year				284,104
Capital lease obligation				
Due within one year		82,676	82,676	89,852
Due in more than one year		1,785,000	1,785,000	1,866,410
Total liabilities	<u>\$ 7,061</u>	<u>\$ 1,926,983</u>	<u>\$ 1,934,044</u>	<u>\$ 2,365,779</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 663,878	\$ 351,196	\$ 1,015,074	\$ 741,326
Restricted for debt service		164,922	164,922	164,922
Unrestricted	439,022	2,833,285	3,272,307	1,812,106
Total net assets	<u>\$ 1,102,900</u>	<u>\$ 3,349,403</u>	<u>\$ 4,452,303</u>	<u>\$ 2,718,354</u>

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Net (Expenses) Revenues and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total	2004
<u>\$ (368,027)</u>		<u>\$ (368,027)</u>	<u>\$ (421,870)</u>
<u>(368,027)</u>		<u>(368,027)</u>	<u>(421,870)</u>
	\$ 1,996,641	1,996,641	232,391
	<u>1,996,641</u>	<u>1,996,641</u>	<u>232,391</u>
(368,027)	1,996,641	1,628,614	(189,479)
578,857		578,857	537,370
<u>24,381</u>	<u>63,856</u>	<u>88,237</u>	<u>13,538</u>
<u>603,238</u>	<u>1,861,996</u>	<u>667,094</u>	<u>550,908</u>
235,211	3,858,637	4,093,848	361,429
<u>1,167,091</u>	<u>1,798,140</u>	<u>2,965,231</u>	<u>2,356,925</u>
<u>\$ 1,402,302</u>	<u>\$ 5,656,777</u>	<u>\$ 7,059,079</u>	<u>\$ 2,718,354</u>



**WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

**Balance Sheet**

**Governmental Funds**

December 31, 2005

With Comparative Totals for December 31, 2004

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>	<u>2004</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 151,814	\$ 294,269	\$ 446,083	\$ 751,493
Due from other governmental entities	299,402		299,402	181,474
Total assets	<u>\$ 451,216</u>	<u>\$ 294,269</u>	<u>\$ 745,485</u>	<u>\$ 932,967</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,135		\$ 1,135	\$ 168
Accrued payroll and employee benefits	370		370	354
Other current liabilities	5,556		5,556	2,503
Deferred revenue				18,775
Due to other funds				175,511
Due to other governmental entities				14,081
Total liabilities	<u>7,061</u>		<u>7,061</u>	<u>211,392</u>
<b>Fund Balance</b>				
Reserved for capital projects		\$ 294,269	294,269	284,715
Unreserved	444,155		444,155	436,860
Total fund balance	<u>444,155</u>	<u>294,269</u>	<u>738,424</u>	<u>721,575</u>
Total liabilities and fund balance	<u>\$ 451,216</u>	<u>\$ 294,269</u>	<u>\$ 745,485</u>	<u>\$ 932,967</u>

**WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT**

**A COMPONENT UNIT OF WASATCH COUNTY**

**Reconciliation of the Governmental Funds Balance Sheet  
to the Government-wide Statement of Net Assets**

December 31, 2005

Total fund balance - total governmental funds	\$ 444,155
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Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

Capital assets used in governmental activities are not current  
financial resources; therefore, they are not reported  
in the governmental funds balance sheet.

663,878

Net assets of governmental activities

<u>\$ 1,108,033</u>
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**WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

**Statement of Revenues, Expenditures, and Changes in Fund Balances**

**Governmental Funds**

For Year Ended December 31, 2005

With Comparative Totals for Year Ended December 31, 2004

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>	<u>2004</u>
<b>Revenues</b>				
Property taxes	\$ 578,857		\$ 578,857	\$ 537,370
Plans and inspections	101,830		101,830	62,667
Grants	41,556		41,556	78,901
Interest	<u>14,827</u>	\$ 9,554	<u>24,381</u>	<u>10,910</u>
Total revenues	<u>737,070</u>	<u>9,554</u>	<u>746,624</u>	<u>689,848</u>
<b>Expenditures</b>				
Current				
Payroll and related taxes	344,576		344,576	393,942
Professional services	28,432		28,432	21,876
Materials and supplies	16,663		16,663	66,493
Training and certification	4,394		4,394	7,378
Utilities	1,113		1,113	534
Insurance	9,684		9,684	10,302
Repairs and maintenance	17,617		17,617	14,893
Other				1,649
Capital outlay	5,068		5,068	70,732
Debt service				
Principal	290,931		290,931	25,072
Interest	<u>11,297</u>		<u>11,297</u>	<u>14,469</u>
Total expenditures	<u>729,775</u>		<u>729,775</u>	<u>627,340</u>
Excess of revenues over expenditures	<u>7,295</u>	<u>9,554</u>	<u>16,849</u>	<u>62,508</u>
<b>Other Financing Sources</b>				
Contributions from other governmental entities				37,112
Total other financing sources				<u>37,112</u>
Excess of revenues and other financing sources over expenditures	7,295	9,554	16,849	99,620
Fund balance at beginning of year	<u>436,860</u>	<u>284,715</u>	<u>721,575</u>	<u>621,955</u>
Fund balance at end of year	<u>\$ 444,155</u>	<u>\$ 294,269</u>	<u>\$ 738,424</u>	<u>\$ 721,575</u>

**WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT**

**A COMPONENT UNIT OF WASATCH COUNTY**

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Government-wide Statement of Activities**

For the Year Ended December 31, 2005

Net change in fund balances - total governmental funds	\$ 16,849
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciable expense. This is the amount of capital assets recorded in the current period.	5,068
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(77,637)
The issuance of long-term debt (e.g. note payable) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	290,931
Change in net assets of governmental activities	<u>\$ 235,211</u>

# **WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

## **Statement of Net Assets**

### **Proprietary Fund**

December 31, 2005

With Comparative Totals for December 31, 2004

### **ASSETS**

	2005	2004
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,342,432	\$ 147,828
Accounts receivable (net of allowance for doubtful accounts of \$158,156 and \$934,591, respectively)	105,711	137,501
Due from other funds		175,511
Total current assets	<u>2,448,143</u>	<u>460,840</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	164,922	164,922
Lease fees receivable	423,269	659,442
Capital assets		
Land	100,000	100,000
Depreciable buildings and equipment, net	2,119,306	2,183,016
Debt issuance costs (net of accumulated amortization of \$4,529 and \$3,265, respectively)	20,746	22,010
Total noncurrent assets	<u>2,828,243</u>	<u>3,129,390</u>
Total assets	<u><u>\$ 5,276,386</u></u>	<u><u>\$ 3,590,230</u></u>

### **LIABILITIES**

<b>Current Liabilities</b>		
Accounts payable	\$ 6,262	\$ 3,121
Accrued payroll and employee benefits	13,222	10,980
Accrued compensated absences	11,457	8,277
Accrued interest	7,186	7,373
Current portion capital lease obligation	82,676	89,852
Current portion note payable	21,180	31,244
Total current liabilities	<u>141,983</u>	<u>150,847</u>
<b>Noncurrent Liabilities</b>		
Capital lease obligation	1,785,000	1,866,410
Note payable		21,710
Total noncurrent liabilities	<u>1,785,000</u>	<u>1,888,120</u>
Total liabilities	<u><u>\$ 1,926,983</u></u>	<u><u>\$ 2,038,967</u></u>

### **NET ASSETS**

Invested in capital assets, net of related debt	\$ 351,196	\$ 295,810
Restricted for debt service	164,922	164,922
Unrestricted	2,833,285	1,090,531
Total net assets	<u><u>\$ 3,349,403</u></u>	<u><u>\$ 1,551,263</u></u>

**WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT**

**A COMPONENT UNIT OF WASATCH COUNTY**

**Statement of Revenues, Expenses, and Changes in Fund Net Assets**

**Proprietary Fund**

For Year Ended December 31, 2005

With Comparative Totals for Year Ended December 31, 2004

	2005	2004
<b>Operating Revenues</b>		
Charges for services	\$ 1,969,243	\$ 1,041,679
Revenue recoveries	776,435	
Total operating revenues	<u>2,745,678</u>	<u>1,041,679</u>
<b>Operating Expenses</b>		
Payroll and related benefits	687,641	537,627
Professional services	16,958	9,147
Materials and supplies	48,520	23,764
Training and certification	7,727	4,475
Utilities	22,762	22,454
Insurance	9,153	6,868
Repairs and maintenance	42,328	21,019
Bad debt		82,401
Depreciation	111,078	110,203
Amortization	1,264	1,264
Other		1,579
Total operating expenses	<u>947,431</u>	<u>820,801</u>
Operating income	<u>1,798,247</u>	<u>220,878</u>
<b>Nonoperating Revenues and (Expenses)</b>		
Grant income	63,856	108,229
Interest income	27,398	2,628
Interest expense	(91,361)	(96,716)
Total nonoperating revenues and (expenses)	<u>(107)</u>	<u>14,141</u>
Income before contributions and transfers	<u>1,798,140</u>	<u>235,019</u>
<b>Change in Net Assets</b>	1,798,140	235,019
Net assets beginning of year	<u>1,551,263</u>	<u>1,316,244</u>
Net assets end of year	<u><u>\$ 3,349,403</u></u>	<u><u>\$ 1,551,263</u></u>

**WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT**

**A COMPONENT UNIT OF WASATCH COUNTY**

**Statement of Cash Flows**

**Proprietary Fund**

For the Year Ended December 31, 2005

With Comparative Totals for Year Ended December 31, 2004

	2005	2004
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 3,013,641	\$ 1,039,067
Payments to suppliers	(144,307)	(91,726)
Payments to employees	(682,219)	(538,771)
Net cash provided by operating activities	<u>2,187,115</u>	<u>408,570</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Grants received	63,856	108,229
Transfers to other funds	175,511	(175,511)
Net cash provided (used) by noncapital financing activities	<u>239,367</u>	<u>(67,282)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(47,368)	
Principal paid on capital lease obligations	(88,586)	(90,279)
Principal paid on capital debt	(31,774)	(29,726)
Interest paid on capital lease obligations and debt	(91,548)	(96,905)
Net cash used by capital and related financing activities	<u>(259,276)</u>	<u>(216,910)</u>
<b>Cash Flows from Investing Activities</b>		
Interest	27,398	2,628
Net cash provided by investing activities	<u>27,398</u>	<u>2,628</u>
Net increase in cash and cash equivalents	2,194,604	127,006
Balances at beginning of year	312,750	185,744
Balances at end of year	<u>\$ 2,507,354</u>	<u>\$ 312,750</u>
Cash and cash equivalents	\$ 2,342,432	\$ 147,828
Restricted cash and cash equivalents	164,922	164,922
	<u>\$ 2,507,354</u>	<u>\$ 312,750</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 1,798,247	\$ 220,878
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	111,078	110,203
Amortization	1,264	1,264
Changes in assets and liabilities		
Decrease in receivables and prepaids	267,963	79,789
Increase (decrease) in accrued liabilities	8,563	(3,564)
Net cash provided by operating activities	<u>\$ 2,187,115</u>	<u>\$ 408,570</u>

## NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements are included to provide information that is essential to a user's understanding of the financial statements.



**WASATCH COUNTY FIRE PROTECTION  
SPECIAL SERVICE DISTRICT**

**A COMPONENT UNIT OF WASATCH COUNTY**

**Notes to Financial Statements**

December 31, 2005

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Wasatch County Fire Protection Special Service District (the District) was created by Wasatch County in 1987 to provide fire protection services for the County. The financial statements of the District are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The District applies all relevant Governmental Accounting Standards Board pronouncements. The proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case GASB prevails. The financial statements and notes are representations of Wasatch County Fire Protection Special Service District's management, which is responsible for their integrity and objectivity. This summary of significant accounting policies of the District is presented to assist in understanding the financial statements.

**Reporting Entity**

Wasatch County Fire Protection Special Service District is managed by the Fire Chief under the direction of the Wasatch County Council.

Under the guidelines established by GASB 39, the District has been determined to be a component unit of Wasatch County for financial accounting purposes and is presented in the County's financial statements as a blended unit.

No other entities are considered to be component units of the District.

**Basis of Presentation**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**WASATCH COUNTY FIRE PROTECTION  
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

**Notes to Financial Statements**

December 31, 2005

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of the given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements**

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements. All of the District's funds are major funds.

Governmental funds are those funds through which most of the governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

*General Fund*

The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

*Capital Projects Fund*

The Capital Projects Fund is used to account for funds received and expended for the acquisition or construction of capital facilities, improvements, and equipment (other than those financed by the proprietary fund).

**WASATCH COUNTY FIRE PROTECTION  
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

**Notes to Financial Statements**

December 31, 2005

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Financial Statements (Continued)**

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The District has only one proprietary fund which is a major fund as described below.

*Enterprise Fund*

The Enterprise Fund is used to account for fire protection provided by the Jordanelle station in the Jordanelle Basin. Activities of the fund include administration, operations and maintenance of the building, and billing and collection activities. The fund also accounts for the services of the full-time fire suppression personnel. All costs are financed through charges to the land owners and developers within the Jordanelle Basin.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, materials and supplies, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets; and the statement of revenues, expenses, and changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

**WASATCH COUNTY FIRE PROTECTION  
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

**Notes to Financial Statements**

December 31, 2005

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus/Basis of Accounting (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers amounts collected within 60 days after year end to be available. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

**Accounts Receivable**

The District considers an account to be delinquent if payment has not been received by the last day of the month. All delinquent accounts are assessed a finance charge of 1.25 percent per month, 15 percent per annum. The District's policy is to accrue an allowance against future bad debt losses based on the total overdue accounts receivable which are at least ninety (90) days delinquent. Each year the allowance is evaluated by management and adjusted to the level deemed necessary.

**Budgeting**

The District's governing board adopts a budget for each year prior to the beginning of each year. These budgets are amended during the year as the board deems necessary, to accommodate current operations, and are accepted by official vote of the board. The board amended the budget for the year ended December 31, 2005.

**Compensated Absences**

Compensated absences consist of vacation pay. The District accrues vacation pay when earned. Sick leave does not vest to District employees upon their termination and is, therefore, not accrued. See Note 6 for additional information.

**WASATCH COUNTY FIRE PROTECTION  
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

**Notes to Financial Statements**

December 31, 2005

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

Cash of all funds is pooled into a common interest-bearing bank account. For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. See Note 2 for additional information.

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary fund. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets, having an original cost of \$5,000 or more are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Leased building and equipment	5 – 40 years
Building improvements	10 – 15 years
Equipment	5 – 16 years
Furniture and fixtures	2 – 10 years
Improvements other than buildings	20 years
Office equipment	6 – 10 years
Vehicles	2 – 39 years

See Note 7 for additional information.

**Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations in both Governmental and Proprietary Funds.

# WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

## Notes to Financial Statements

December 31, 2005

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the District carries commercial insurance. The District also carries commercial workers' compensation insurance. There were no significant reductions in coverage from the prior year, and settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

#### Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied and tax notices are sent on November 1. All unpaid taxes are due and become delinquent on November 30. Property tax revenues are recognized by the District when they are collected. Property taxes on licensed motor vehicles are collected on a monthly basis in the month in which the individual motor vehicle license is renewed. Property taxes are billed and collected by Wasatch County on behalf of the District and remitted to the District monthly. At December 31, 2005, only delinquent taxes are uncollected. The amount of collectible delinquent taxes at December 31, 2005 is not considered significant.

#### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

# WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

## Notes to Financial Statements

December 31, 2005

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Net Assets (Continued)

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District first utilizes restricted resources to finance qualifying activities.

### NOTE 2 – DEPOSITS, INVESTMENTS AND RESTRICTED ASSETS

Deposits and investments for local government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, “the Act”) and by rules of the Utah Money Management Council (the Council). Following are discussions of the District’s exposure to various risks related to its cash management activities.

#### Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The District’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2005, \$415,671 of the District’s bank balance of \$515,671 was uninsured and uncollateralized.

#### Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District’s policy for limiting the credit risk of investments is to comply with the Money Management Act.

**WASATCH COUNTY FIRE PROTECTION  
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**A COMPONENT UNIT OF WASATCH COUNTY**

**Notes to Financial Statements**

December 31, 2005

**NOTE 2 – DEPOSITS, INVESTMENTS AND RESTRICTED ASSETS (CONTINUED)**

**Credit Risk (Continued)**

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended December 31, 2005, the District had investments of \$2,221,611 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Designated Assets**

In 1998, the Board adopted a resolution designating the use of \$550,000 in the Capital Projects Fund for the purpose of acquiring equipment and certain supplies. As of December 31, 2005, \$294,269 was available for use including \$9,555 of current interest. The total of \$294,269 is shown as a reserved fund balance in the equity account of the Capital Projects Fund.

**Restricted Assets**

The \$164,922 of restricted cash in the Enterprise Fund is being held in a reserve account by the Wasatch County Municipal Building Authority as part of the capital lease obligation (Note 4). The balance of the reserve account will be credited towards the final lease payment in December 2022.



**WASATCH COUNTY FIRE PROTECTION  
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

**Notes to Financial Statements**

December 31, 2005

**NOTE 3 – EMPLOYEE BENEFIT PLANS**

**State Retirement**

The District contributes to the Public Employees Noncontributory Retirement System, the Firefighters Division A Retirement System, and the 401(k) Defined Contribution System for qualifying employees. These retirement systems are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the *Utah Code Annotated 1953* (Chapter 49) as amended which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

The District was required to contribute 11.09% of annual covered salary on behalf of participants in the Public Employees Noncontributory Retirement System from the period January 2005 to December 2005. In the Firefighters Division A Retirement System members were required to contribute 8.61% of their salary from the period January 2005 to December 2005 all of which was paid by the District for the employee. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District is also required to contribute a percentage of their covered employees' annual salaries for members in the 401(k) Plan Defined Contribution System. Percentages are determined by the Board upon hire and range from 6.64% to 17.73%.

**WASATCH COUNTY FIRE PROTECTION  
SPECIAL SERVICE DISTRICT**

**A COMPONENT UNIT OF WASATCH COUNTY**

**Notes to Financial Statements**

December 31, 2005

**NOTE 3 – EMPLOYEE BENEFIT PLANS (CONTINUED)**

**State Retirement (Continued)**

The District's contributions have been as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Public Employees - Noncontributory	\$ 5,305	\$ 3,897	\$ 5,764
Firefighters Division A	38,890	30,733	22,970
401(k) Plan	<u>41,301</u>	<u>31,794</u>	<u>30,014</u>
Total District contributions	<u>\$ 85,496</u>	<u>\$ 66,457</u>	<u>\$ 58,748</u>

The contributions were equal to the required contributions for the year.

**Cafeteria**

The District offers a cafeteria plan to all employees to fund a health insurance benefits program.

**NOTE 4 – CAPITAL LEASES**

The District entered into a sublease agreement with Wasatch County, a related party, during November 1999 to purchase the Jordanelle Fire Station and certain equipment used by the station. The District financed \$2,500,000 over a 10 year period.

Construction of the station and purchase of the equipment was funded by the Wasatch County Municipal Building Authority using monies from a lease revenue bond issued in the Building Authority's name during 1999. Under terms of the sublease agreement, everything purchased with funds from this bond issue became part of the capital lease agreement; therefore, the total amount financed was capitalized by the District under the capital lease obligation.

In June 2002, the sublease agreement was refinanced with a financial institution in order to lower interest costs. The District financed \$2,200,000 over a 20 year period. Semi-annual payments will be made until December 2022. The annual interest rate on the note varies from 3% to 5%. The note is secured by the related capital assets. The District may purchase the assets at any time by paying the balance of the lease obligation.

# WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

## Notes to Financial Statements

December 31, 2005

### NOTE 4 – CAPITAL LEASES (CONTINUED)

The District entered into a lease agreement with Lucent Technologies, during June 2000, to purchase a phone system for the Jordanelle Fire Station. The District financed \$80,641 over a 6 year period. Monthly payments will be made until June 2006. The annual interest rate on the note is 4.98%. The note is secured by the related capital assets. The District may purchase the assets at any time by paying the balance of the lease obligation.

The following is a schedule by year of the future minimum lease payment with the present value of the minimum lease payments.

<u>Year ending December 31:</u>	<u>Wasatch County</u>	<u>Phone System</u>	<u>Total</u>
2006	\$ 161,228	\$ 7,788	\$ 167,718
2007	163,715		163,715
2008	161,035		161,035
2009	162,835		162,835
2010	164,435		164,435
2010-2015	816,483		816,483
2016-2020	815,500		815,500
2021-2022	328,000		328,000
Total minimum lease payments	2,773,231	7,788	2,781,019
Less: Amount representing interest	(913,231)	(112)	(913,343)
Present value of net minimum lease payments	1,860,000	7,676	1,867,676
Principal amount due within one year	(75,000)	(7,676)	(82,676)
Principal amount due after one year	<u>\$ 1,785,000</u>	<u>\$ -0-</u>	<u>\$ 1,785,000</u>

### NOTE 5 – LONG-TERM DEBT

In 1999, the District entered into an agreement with Wasatch County, a related party, to purchase a Pierce Dash 2000 75' Aerial Ladder Truck. The District financed \$448,128 over a 13 year period. Monthly payments of \$3,295 were to be made through December 2013 with an annual interest rate of 4.75%. In December 2005, the balance of the note was paid in full.

# WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

## Notes to Financial Statements

December 31, 2005

### NOTE 5 – LONG-TERM DEBT (CONTINUED)

In 2001, the District entered into an agreement with Information Leasing Corporation to purchase a Pierce Hawk Wildland Truck. The District financed \$146,546 over a 5 year period. Monthly payments of \$2,765 will be made through August 2006. The annual interest rate on the note is 4.99%. The note is secured by the truck.

The changes in long-term debt are as follows:

	Balance 12/31/2004	Issues or Additions	Payments or Expenditures	Balance 12/31/2005	Due Within One Year
Governmental Type Activities					
Due to other governmental entities	\$ 290,931		\$ 290,931	\$ -0-	
Business-Type Activities					
Note payable	52,954		31,774	21,180	\$ 21,180
Total government	<u>\$ 343,885</u>	<u>\$ -0-</u>	<u>\$ 322,705</u>	<u>\$ 21,180</u>	<u>\$ 21,180</u>

The District will make total payments of \$21,180 in principal and \$408 in interest in order to meet its debt obligations for the business-type activities during the fiscal year ending December 31, 2006.

### NOTE 6 – COMPENSATED ABSENCES

Full-time administrative personnel of the District accrue 10 days of vacation leave a year for the first five years of employment. During the second five years of employment, an employee accrues 10 days of vacation time plus one day for each year of completed service totaling 20 days. After 20 years of completed service, an employee accrues 25 days of vacation. A day of vacation equals 8 hours. An employee may use vacation leave after a 6 month probationary period with the approval of the District Chief. An employee may carry over any unused vacation days to the next calendar year. Any unused vacation exceeding the amount earned in the next calendar year must be used by June 30 of the next calendar year or the days will be lost. Upon termination, any accrued vacation leave will be paid out to the employee.

# WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

## Notes to Financial Statements

December 31, 2005

### NOTE 6 – COMPENSATED ABSENCES (CONTINUED)

Full-time fire suppression personnel of the District accrue 5 shifts per year at the end of the first year of service. After six full years of service, vacation leave will accrue to 6 shifts per year. A shift equals 24.25 hours. Fire suppression personnel may use vacation leave after a 6 month probationary period with the approval of the District Chief. Fire suppression personnel may carryover to the next calendar year unused vacation days not to exceed the days earned in the next calendar year. Upon termination, any accrued vacation leave will be paid out to the employee.

Full-time administrative personnel can accrue up to 150 days of sick leave which is accumulated at a rate of one day per month. Upon retirement, the District will compensate an employee with 5 years of continuous service with 50% of the unused sick leave paid out at his/her most recent base salary rate. Sick leave is not paid out upon termination.

Full-time fire suppression personnel are entitled to 5 shifts of sick leave each calendar year. Unused sick leave will accrue up to a maximum of 90 calendar days (24.25 hours per day). Upon retirement, the District will compensate fire suppression personnel with 5 years of service at his/her most recent base salary rate for 28% of unused sick leave up to a maximum of 611 hours. Sick leave is not paid out upon termination.

### NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets being depreciated:				
Equipment	\$ 286,701			\$ 286,701
Furniture and fixtures	1,092			1,092
Vehicles	876,944	\$ 5,068		882,012
Total capital assets being depreciated	<u>1,164,737</u>	<u>5,068</u>		<u>1,169,805</u>
Less accumulated depreciation for:				
Equipment	(116,304)	(28,649)		(144,953)
Furniture and fixtures	(1,092)			(1,092)
Vehicles	(313,394)	(48,987)		(362,381)
Total accumulated depreciation	<u>(430,790)</u>	<u>(77,637)</u>		<u>(508,427)</u>
Governmental activities capital assets, net	<u>\$ 733,947</u>	<u>\$ (72,569)</u>	<u>\$ -0-</u>	<u>\$ 661,378</u>

**WASATCH COUNTY FIRE PROTECTION  
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

**Notes to Financial Statements**

December 31, 2005

**NOTE 7 – CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 100,000			\$ 100,000
Total capital assets not being depreciated	100,000			100,000
Capital assets being depreciated:				
Leased building and equipment	2,400,641			2,400,641
Building improvements	5,040			5,040
Equipment	65,542			65,542
Furnitures and fixtures	1,485			1,485
Land improvements	7,678			7,678
Office equipment	4,955			4,955
Vehicles	199,002	\$ 47,368		246,370
Total other capital assets at historical cost	2,684,343	47,368		2,731,711
Less accumulated depreciation for:				
Leased building and equipment	(423,283)	(82,913)		(506,196)
Building improvements	(1,288)	(418)		(1,706)
Equipment	(34,138)	(8,955)		(43,093)
Furnitures and fixtures	(595)	(149)		(744)
Land improvements	(627)	(41)		(668)
Office equipment	(2,685)	(633)		(3,318)
Vehicles	(38,711)	(17,971)		(56,682)
Total accumulated depreciation	(501,327)	(111,078)		(612,405)
Net depreciable assets	2,183,016	(63,710)		2,119,306
Business-type activities capital assets, net	<u>\$ 2,283,016</u>	<u>\$ (63,710)</u>	<u>\$ -0-</u>	<u>\$ 2,219,306</u>

**NOTE 8 – GRANT**

The District received a FEMA grant for 2003 in the amount of \$246,790. The grant was a matching grant and paid 90%, \$222,111, of the amount requested. The District's required match was \$24,679. As of December 31, 2004, the entire grant had not been expended, although all the funding had been received. Therefore, the District recorded deferred revenue of \$18,755, representing the amount of unexpended grant funds. As of December 31, 2005, these remaining proceeds have been expended and the \$18,755 is recognized as revenue.

**WASATCH COUNTY FIRE PROTECTION  
SPECIAL SERVICE DISTRICT**

**A COMPONENT UNIT OF WASATCH COUNTY**

**Notes to Financial Statements**

December 31, 2005

**NOTE 9 – INTERFUND BALANCES**

Interfund transfers occur routinely throughout the year as the Enterprise Fund transfers funds to the General Fund to be used for operations until tax revenues are transmitted from Wasatch County. Upon receipt of the tax revenues, the General Fund transfers funds back to the Enterprise Fund. At year end interfund balances may exist depending upon the timing of these transfers. For the year ended December 31, 2005, there were no interfund balances.

**NOTE 10 – HAZARDOUS MATERIALS TEAM**

Four of the Districts' fire suppression personnel participate in the Utah State Region 2 Hazardous Materials Team. This team consists of representatives from Tooele, Salt Lake, Utah, Summit and Wasatch Counties. In order to participate, the District must provide training and certification for these fire suppression personnel. Once certified, the District will be required to provide the training hours necessary in order to maintain the certification. The District is also responsible for compensating these fire suppression personnel when they are called out on a hazardous materials incident.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures that are required by generally accepted accounting principles in the United States of America, but are not considered a part of the financial statements. Such information includes:

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual – General Fund



**WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual — General Fund**

For Year Ended December 31, 2005

With Comparative Totals for Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance	2004 Actual
<b>Revenues</b>					
Property taxes	\$ 533,800	\$ 587,600	\$ 578,857	\$ (8,743)	\$ 537,370
Plans and inspections	56,000	38,000	101,830	63,830	62,667
Grants	35,000		41,556	41,556	78,901
Interest	3,000	14,000	14,827	827	5,919
Other miscellaneous revenues	3,500				
Total revenues	<u>631,300</u>	<u>639,600</u>	<u>737,070</u>	<u>97,470</u>	<u>684,857</u>
<b>Expenditures</b>					
Current					
Payroll and related taxes	391,250	393,780	344,576	49,204	393,942
Professional services	29,550	30,300	28,432	1,868	21,876
Materials and supplies	54,000	47,300	16,663	30,637	66,493
Training and certification	3,750	4,978	4,394	584	7,378
Utilities	500	1,100	1,113	(13)	534
Insurance	10,000	10,000	9,684	316	10,302
Repairs and maintenance	15,000	20,000	17,617	2,383	14,893
Other	2,709	2,500		2,500	1,649
Capital outlay	85,000	89,942	5,068	84,874	70,732
Debt service					
Principal	26,393	344,148	290,931	53,217	25,072
Interest	13,148	13,200	11,297	1,903	14,469
Total expenditures	<u>631,300</u>	<u>957,248</u>	<u>729,775</u>	<u>227,473</u>	<u>627,340</u>
Excess (deficiency) of revenues over expenditures		<u>(317,648)</u>	<u>7,295</u>	<u>324,943</u>	<u>57,517</u>
<b>Other Financing Sources</b>					
Contributions from other governmental entities					37,112
Operating transfers in		317,648		(317,648)	
Total other financing sources		<u>317,648</u>		<u>(317,648)</u>	<u>37,112</u>
Excess of revenues and other financing sources over expenditures			7,295	\$ 7,295	94,629
Fund balance at beginning of year	<u>436,860</u>	<u>436,860</u>	<u>436,860</u>		<u>342,231</u>
Fund balance at end of year	<u>\$ 436,860</u>	<u>\$ 436,860</u>	<u>\$ 444,155</u>		<u>\$ 436,860</u>

## **ADDITIONAL AUDITORS' REPORTS**

These additional reports are required by *Government Auditing Standards* and the Utah State Auditor's Office, respectively.



# HAWKINS CLOWARD & SIMISTER

CERTIFIED PUBLIC ACCOUNTANTS, LC

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Administrative Board Members  
Wasatch County Fire Protection Special Service District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Wasatch County Fire Protection Special Service District (District), a component unit of Wasatch County, as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 20, 2006. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Wasatch County Fire Protection Special Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Wasatch County Fire Protection Special Service District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. This reportable condition is described in the accompanying Schedule of Findings as item 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the

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financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Wasatch County Fire Protection Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, pass-through entities and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Hawkins Cloward & Simister, LC*

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

January 20, 2006

**WASATCH COUNTY FIRE PROTECTION  
SPECIAL SERVICE DISTRICT**

**A COMPONENT UNIT OF WASATCH COUNTY**

**Schedule of Findings**

December 31, 2005

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Wasatch County Fire Protection Special Service District.
2. There was one reportable condition, as described in finding 05-1, relating to the audit of the financial statements as reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. There were no instances of noncompliance required to be reported under *Government Auditing Standards*.

**B. FINDINGS – FINANCIAL AUDIT CURRENT YEAR**

**05-1 Finding: Improper Posting of Transactions Related to Grant Agreements**

While conducting the audit we noted that revenue from grant agreements was not being recorded in the same fund as the related expenditures.

**Recommendation:**

We recommend that transactions related to grant agreements be monitored by management and reconciled as expended to ensure matching of sources and uses in the correct fund.

**District's Response:**

We agree with the finding and will implement the recommendation, insofar as possible.

**C. CURRENT YEAR STATUS OF PRIOR YEAR FINDINGS**

**04-1 Finding: Information Returns not Filed**

While conducting the audit we noted that the Forms 1099-MISC were not filed as required.

**Status:**

This finding has been corrected.

**04-2 Finding: Improper Posting of Transactions Related to Grant Agreements**

While conducting the audit we noted that revenue from grant agreements was not being recorded in the same fund as the related expenditures.

**Status:**

See current year finding 05-1.



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## UTAH STATE COMPLIANCE REPORT BASED ON THE REQUIREMENTS, SPECIAL TESTS AND PROVISIONS REQUIRED BY THE STATE OF UTAH'S LEGAL COMPLIANCE AUDIT GUIDE

Honorable Administrative Board Members  
Wasatch County Fire Protection Special Service District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Wasatch County Fire Protection Special Service District (District), a component unit of Wasatch County, for the year ended December 31, 2005, and have issued our report thereon dated January 20, 2006. The District received the following nonmajor grants which are not required to be audited for specific compliance requirements. (However, these programs were subject to testwork as part of the audit of the District's financial statements.)

FY 2003 Homeland Security Grant (Department of Public Safety)  
FY 2003 Homeland Security Grant PTI – Hazmat (Department of Public Safety)  
FY 2005 Homeland Security Grants (Department of Public Safety)

Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation and Property Tax Limitations  
Special Districts  
Other General Compliance Issues  
Impact Fees

The District did not receive any major State grants during the year ended December 31, 2005.

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The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance regarding whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Wasatch County Fire Protection Special Service District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

#### **CURRENT STATUS OF PRIOR YEAR FINDINGS**

##### **Finding: Expenditures in Excess of Budget**

*Utah Code, Section 17A-1, Part 4* states that officers and employees of the District shall not incur expenditures in excess of the total appropriations for any department or fund. The District's expenditures for the General Fund were in excess of budget.

##### **Status:**

This finding has been corrected.

This report is intended solely for the information and use of management, pass-through entities, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Hawkins Cloward & Simister, LC*

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

January 20, 2006